

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

/091 W

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R 020820Z SEP 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4648

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 13892

HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

E.O. 11652: N/A

TAGS: ECON, RP

SUBJECT: 1978 BUDGET

REF: MANILA A-27

1. SUMMARY. THE NATIONAL BUDGET FOR 1978, APPROVED BY THE BATASANG BAYAN, CALLS FOR EXPENDITURES OF 33.9 BILLION PESOS (\$4,581 MILLION) TO BE FINANCED BY REVENUES OF 28.2 BILLION PESOS AND BORROWING OF 5.7 BILLION. BOTH EXPENDITURE AND REVENUE GOALS APPEAR AMBITIOUS, BEING INCREASES OF AROUND 30 PERCENT OVER PROJECTIONS FOR 1977. WE WOULD EXPECT THE GOP TO TREAT THE SIZE OF THE DEFICIT RELATIVE TO GNP AS A GUIDING PRINCIPLE AND SCALE DOWN EXPENDITURES IF NECESSARY, AND THUS TO CONTINUE A MODERATELY EXPANSIONARY FISCAL POLICY. END SUMMARY.

2. THE BATASANG BAYAN (LEGISLATIVE ADVISORY BODY) DUTIFULLY APPROVED THE 1978 BUDGET AT ITS MEETING ON
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AUGUST 27. THE BODY MADE NO CHANGES TO THE BUDGETARY PROGRAM SUBMITTED BY PRES. MARCOS, WHO GAVE IT A THEME OF "COUNTRYSIDE DEVELOPMENT", AND TOUTED IT AS A "RALLYING POINT FOR CHANNELLING THE ENERGIES OF ALL, CITY AND RURAL DWELLERS ALIKE, TOWARDS TOTAL DEVELOPMENT."

3. THE "COUNTRY SIDE DEVELOPMENT" THEME GROWS OUT OF AN

INTENTION TO REFLECT NEEDS OF THE REGIONS IN THE BUDGET
PLANNING PROCESS, RATHER THAN BASING EXPENDITURE PLANS
SIMPLY ON MACROECONOMIC CONSIDERATIONS DEVELOPED BY THE
NATIONAL GOVERNMENT. IN MORE CONCRETE TERMS, THE
TWELVE REGIONAL OFFICES IN THE COUNTRY ARE TO RECEIVE
70 PERCENT OF TOTAL EXPENDITURES, WITH 30 PERCENT TO
CENTRAL OFFICES. OF THE 70 PERCENT, 50 PERCENT IS TO
GO TO THOSE FOUR REGIONS IDENTIFIED AS THE MOST
DEPRESSED, 38 PERCENT TO THE FIVE WITH MEDIUM RATES
OF DEVELOPMENT AND THE REMAINDER TO THE MOST DEVELOPED.

4. THE BUDGET CALLS FOR EXPENDITURES OF 33.9
BILLION PESOS (\$4,581 MILLION), A SUBSTANTIAL INCREASE
OF 29.4 PERCENT OVER PROJECTED EXPENDITURES FOR THIS
YEAR. ACTUAL EXPENDITURES MAY NOT REACH THAT LEVEL,
HOWEVER, SINCE PLANS ARE BASED ON AN ASSUMED GNP GROWTH
RATE WHICH MAY NOT BE REALIZED. GNP SHORTFALLS IN
RECENT YEARS HAVE BEEN ACCOMPANIED BY REDUCED BUDGET
EXPENDITURE LEVELS. 1978 EXPENDITURES ARE TO BE 19.4
PERCENT OF THE GNP, WHICH IS ABOUT THE SAME PERCENTAGE

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
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R 020820Z SEP 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 4649
INFO AMCONSUL HONG KONG

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HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

SEEN IN RECENT YEARS.

5. ALLOCATION OF EXPENDITURES APPEARS TO VARY SOMEWHAT
WITH PREVIOUS YEARS, WITH GREATER EMPHASIS ON SOCIAL AND

ECONOMIC DEVELOPMENT, LESS ON GENERAL SERVICES AND NATIONAL SECURITY. LISTED BELOW ARE PERCENTAGE ALLOCATIONS BY ACTIVITY, FOR 1977 AND 1978:

	1977	1978
GENERAL PUBLIC SERVICES	16.4	15.6
NATIONAL SECURITY	16.8	15.9
SOCIAL DEVELOPMENT	19.1	20.7
ECONOMIC DEVELOPMENT	39.7	40.1
DEBT SERVICE AND OTHER	8.0	7.7
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6. REVENUES ARE PROJECTED TO INCREASE BY 31.8 PERCENT, FROM THIS YEAR'S 21.4 BILLION PESOS TO 28.2 BILLION PESOS, WHICH INCLUDES AN INCREMENT OF 800 MILLION PESOS FROM NEW REVENUE SOURCES. (COMMENT: THIS SEEMS A PARTICULARLY AMBITIOUS GOAL; REVENUES THIS YEAR WILL APPARENTLY FALL SHORT OF EARLIER PROJECTIONS BY 2.5 BILLION PESOS.) THE DEFICIT IS TO BE FINANCED BY 5.7 BILLION PESOS OF NEW BORROWING, 1.1 BILLION OF WHICH WILL GO TOWARD RETIREMENT OF MATURING OBLIGATIONS.

7. MARCOS' BUDGET MESSAGE ALSO OFFERED A LOOK AHEAD TO THE FISCAL PICTURE FOR THE NEXT FIVE YEARS. RELATIVE TO GNP, EXPENDITURES ARE TO AVERAGE 19.5 PERCENT. HE EMPHASIZED MORE VIGOROUS EFFORT DIRECTED TOWARD REVENUE COLLECTIONS, WHICH ARE TARGETED TO INCREASE AT AN AVERAGE ANNUAL RATE OF 0.3 PERCENT OF GNP. BORROWING DURING THE PERIOD WILL BE AROUND 2.9 PERCENT OF GNP, WHICH IS ABOUT THE CURRENT LEVEL. WITH RESPECT TO ALLOCATION TO VARIOUS SECTORS, ECONOMIC DEVELOPMENT WILL REMAIN MORE OR LESS CONSTANT, SOCIAL SERVICES WILL BE INCREASING, AND NATIONAL SECURITY AND GENERAL PUBLIC SERVICE WILL COMMAND DECLINING SHARES.

8. COMMENT. THIS BUDGET BEARS THE STAMP OF ACTING BUDGET DIRECTOR JAIME LAYA, WHO IS COMPETENT AND HARD-WORKING, AND WHO IS STRUGGLING TO BRING ORDER TO WHAT HAS BEEN A FAIRLY DISORGANIZED PROCESS AND INTRODUCE INNOVATIONS (E.G., TOTAL RESOURCE BUDGETING, REGIONALLY-BASED BUDGETING) AT THE SAME TIME. HOWEVER, THE EXPENDITURE AND REVENUE TARGETS BOTH SEEM AMBITIOUS, AND IT WILL NOT BE SURPRISING TO SEE BOTH SCALED DOWN

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DURING 1978. THERE IS A FIRM CONSERVATIVE BENT AMONG
MANY GOP FISCAL MANAGERS, AND A CORRESPONDINGLY STRONG
IMPULSE TO MAINTAIN A CONSISTENT AND SUPPORTABLE PRO-
PORTION OF DEFICIT TO GNP. RECENT TAX MEASURES (PACKAGE OF TAX
REFORMS, TRAVEL TAX), INDICATE THAT THE GOP IS STRUGGLING TO
INCREASE THE TAX REVENUES. IF REVENUE COLLECTIONS APPEAR TO BE
FALLING SHORT OF EXPECTATION, EXPENDITURES WILL PROBABLY BE
SCALED BACK. WE WOULD EXPECT, IN OTHER WORDS, THAT GOP FISCAL
POLICY WILL REMAIN MODERATELY
EXPANSIONARY.
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Message Attributes

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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET
Control Number: n/a
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Sent Date: 02-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Subject: 1978 BUDGET
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